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July 09, 2025

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US BANKRUPTCY COURT  
DISTRICT OF DELAWARE

Honorable Judge Karen B. Owens

United States Bankruptcy Court

District of Delaware

824 North Market Street, 3rd Floor

Wilmington, Delaware 19801

USA

Re: Objection to the Designation of China as a "Restricted Foreign Jurisdiction"

In re: FTX Trading Ltd., et al., Case No. 22-11068 (KBO)

Dear Judge Owens:

OBJECTION TO MOTION OF FTX RECOVERY TRUST TO IMPLEMENT  
RESTRICTED JURISDICTION PROCEDURES

Submitted by: Xiaochun Liu, Representative of Chinese FTX Creditors

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Preliminary Statement

I respectfully submit this objection not only in my individual capacity, but also as one of the representatives of a rapidly growing group of over 300 Chinese FTX creditors. Many members of this group have reached out to me seeking coordination, and I have compiled and advocated for their shared concerns throughout these proceedings.

I hold one KYC-verified FTX account with aggregate claims 6,208.58 USD. My Unique Customer Code is 00504627 and claims # 40223. I have fully complied with every procedural requirement under the Plan. The proposed motion now jeopardizes our right to distribution in an arbitrary and inequitable manner.

This motion to designate China as a “Restricted Jurisdiction” is unsupported by either fact or law. As outlined below, there is no credible legal basis to conclude that distributions to Chinese creditors would subject the Trust, or any distribution agent, to regulatory or criminal risk.

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#### I. FTX Claims Are USD-Denominated and Payable via Lawful Channels

1. FTX claims are denominated and settled in U.S. Dollars. While these claims originate from crypto investments, the Debtors’ Plan explicitly adopts a USD-denominated valuation and distribution framework. The proposed distributions are fiat-based and do not require engagement with virtual assets, rendering them functionally indistinguishable from traditional monetary claims.[1]

2. USD wire transfers are lawful and standard payment mechanisms. FTX Recovery Trust has announced partnerships with global payment platforms (e.g., Payoneer, BitGo) and distribution agents (e.g., Kraken) to facilitate fiat disbursements. Chinese residents can lawfully receive USD wires via Hong Kong-based accounts, which is outside the scope of capital control violations.[2][3]

3. USD settlement mechanisms exist for Chinese creditors. Even if crypto-based payouts are avoided, there are sufficient and lawful channels for distributing USD. In the Celsius Network LLC case, the bankruptcy court successfully disbursed USD to Chinese creditors via standard international wire transfers, confirming the existence of practical and compliant financial infrastructure.[4]

4. Conclusion to Section I. Given that the FTX bankruptcy estate values and settles creditor claims in U.S. Dollars, this case is fundamentally no different from other

bankruptcy proceedings when it comes to distribution. The U.S. Dollar is a global reserve currency and can be lawfully transmitted to Chinese creditors through established channels. Equal access to USD compensation is essential to preserving fairness and equity in the bankruptcy process. The FTX Recovery Trust's attempt to withhold distributions from Chinese creditors based on jurisdictional interpretations of crypto regulation is both unreasonable and legally unfounded. Chinese creditors are entitled to equal treatment in USD distributions just like creditors in other jurisdictions. Any attempt to block such distributions based on speculative regulatory interpretations is not only unjust but lacks legal basis.

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## II. Even Crypto-Based Distributions Are Legally Permissible in China

### 1. China Recognizes Virtual Assets as Legal Property.

Chinese courts have consistently held that cryptocurrencies such as Bitcoin and Ethereum constitute personal property under the Civil Code. These rulings confirm that individual ownership is lawful.[5][6][7][8]

### 2. Hong Kong Supports Crypto Regulation and Retail Participation.

As a Special Administrative Region (SAR) of the People's Republic of China, Hong Kong operates under the 'one country, two systems' framework, which allows it to establish its own financial and regulatory policies. However, it remains an integral part of China. Not only does Hong Kong allow individuals and institutions to hold and trade virtual assets, but it has also proactively embraced digital assets with a comprehensive licensing regime. Its progressive and well-defined regulatory framework aims to attract global digital asset firms and provide robust investor protection mechanisms.[9][10][11][12]

### 3. Mischaracterization of Macau Policy.

The Trust references Macau's 2017 ICO-related warning, but this merely restricts financial institutions from participating in token issuances. It does not prohibit personal ownership or receipt of crypto assets.[13][14]

### 4. International Precedents Support Distributions to Chinese Creditors.



In Celsius Network LLC (Case No. 22-10964, S.D.N.Y.), the court approved USD distributions to Chinese claimants via wire. In the Mt. Gox rehabilitation, Chinese creditors lawfully received crypto (BTC, BCH) through Kraken. No jurisdictional restrictions were imposed in either case.[15][16]

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#### Conclusion

In conclusion, distributing claims to Chinese creditors poses no legal risk to the Trustee or its agents and constitutes a required step under the bankruptcy process. The motion to classify China as a 'Restricted Jurisdiction' appears to lack sufficient factual or legal justification. I respectfully urge the Court to reject any designation that would exclude Chinese creditors from distributions under the Plan.

Respectfully submitted,

Xiaochun Liu



Dated: July 09, 2025

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#### Appendix A: Reference Links

[1] CoinDesk, "FTX to Pay Over USD 5B to Creditors" (May 16, 2025), provided for context; official distribution details are available via Kroll (<https://cases.ra.kroll.com/FTX/>).

[2] <https://www.prnewswire.com/news-releases/ftx-recovery-trust-to-distribute-more-than-5-billion-to-creditors-in-second-distribution-on-may-30-2025-302456976.html>

[3] <https://www.coinspeaker.com/ftx-adds-payoneer-as-payment-method-for-creditors>

[4] <https://www.nysb.uscourts.gov/content/re-22-10964-mg-celsius-network-llc-21>

- [5] [https://watcher.guru/news/bitcoin-is-now-recognized-as-a-legal-virtual-property-by-shanghai-high-court#google\\_vignette](https://watcher.guru/news/bitcoin-is-now-recognized-as-a-legal-virtual-property-by-shanghai-high-court#google_vignette)
- [6] <https://www.mondaq.com/fin-tech/1577154/shanghai-court-recognises-the-legality-of-crypto-ownership-for-individuals>
- [7] <https://www.coindesk.com/markets/2018/10/26/chinese-court-rules-bitcoin-should-be-protected-as-property>
- [8] <https://news.bitcoin.com/chinese-court-ethereum-legal>
- [9] <https://www.info.gov.hk/gia/general/202210/31/P2022103000454.htm>
- [10] <https://www.reuters.com/technology/crypto-exchange-hashkey-bags-licence-update-serve-retail-users-2023-08-03>
- [11] <https://cointelegraph.com/news/hong-kong-welcomes-first-licensed-retail-crypto-exchange-hashkey>
- [12] <https://www.engage.hoganlovells.com/knowledgeservices/news/hong-kong-government-policy-announcement-on-virtual-asset-exchanges-hong-kong-fintech-week-2022>
- [13] <https://www.gov.mo/en/news/74177>
- [14] <https://www.amcm.gov.mo/zh-hant/news-notice/statement/detail/alert-to-risks-of-virtual-commodities-and-tokens/642>
- [15] <https://www.theblock.co/post/303624/mt-gox-creditors-may-have-to-wait-for-up-to-three-months-to-receive-their-bitcoin>
- [16] <https://cointelegraph.com/news/mt-gox-confirm-bitcoin-addresses-repayment>

#### CERTIFICATE OF SERVICE

I, Xiaochun Liu, hereby certify that on July 9, 2025, I caused a copy of the foregoing Objection to the Motion of the FTX Recovery Trust to Implement Restricted Jurisdiction Procedures to be served via electronic mail upon the following parties:

Additionally, a physical copy of this Objection was mailed on July 9, 2025, to the U.S. Bankruptcy Court, 824 N Market St, 3rd Floor, Wilmington, DE 19801.

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I certify under penalty of perjury that the foregoing is true and correct.

Dated: July 9, 2025

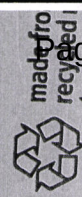
Shanghai, China

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Xiaochun Liu

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